



Police and Crime Commissioner Staffordshire (PCC)

Strategic Governance Board (Police)

3 June 2026

**TREASURY MANAGEMENT REPORT FOR THE YEAR ENDED
31 MARCH 2026**

Report of the Staffordshire Commissioner

Background

1. In addition to his existing role overseeing Staffordshire Police, the Staffordshire Commissioner became responsible for the governance of the Staffordshire Fire and Rescue Service from August 2018. Both remain separate organisations, with separate budgets, staff, and governance processes.
2. This report will detail the 2025/26 treasury management outturn for Staffordshire Police only; a separate report will be produced for the Staffordshire Fire and Rescue Service. Therefore, reference is made only to the **Staffordshire Police and Crime Commissioner ('the Commissioner')** as part of this report.

Summary

3. The Commissioner has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code).
4. Treasury risk management at the Commissioner is conducted within the framework of the revised 2021 Edition of the CIPFA Code. This requires the Commissioner to approve a treasury management strategy before the start of each financial year and, as a minimum, provide a semi-annual and annual treasury outturn report with quarterly updates on Performance Indicators. This report fulfils the Commissioner's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
5. The report provides a summary of the Commissioner's treasury management activities for the year ended 31 March 2026. It considers both borrowing and investment decisions taken throughout the year in the light of the interest rates and economic conditions prevailing at the time.

Recommendations

6. That the Strategic Governance Board (Police) note the treasury management activities for the year ended 31 March 2026, including the Prudential Indicators outturn detailed in **Appendix 2**.
7. That the Strategic Governance Board (Police) note the use of the Minimum Revenue Provision at 31 March 2026 as set out in **paragraphs 35 and 36**.

External Factors

8. UK inflation has proved stubborn throughout 2025/26. Having started the financial year at 3.5%, Consumer Price Index (CPI) peaked at 3.8% from July to September 2025, before dipping to 3.0% in January and February 2026 and increased to 3.3% in March 2026. Data showed that CPI for April 2026 was 2.8%. However, it is anticipated that CPI inflation will be higher in the near future, as a result of the Middle East conflict causing an increase in energy prices.
9. Bank Rate reductions have been limited in 2025/26 with inflation and continued global conflicts influencing decisions. Bank Rate started 2025/26 at 4.50% and reduced to 3.75% in December 2025 where it has remained as a mechanism to combat inflation. Whilst interest rates have been on a downward trajectory, markets believe that rates may hold, or even increase, to combat the resulting effects of increased inflation.
10. The UK economy's GDP grew by 1.4% during 2025. The estimate for March 2026 quarter on quarter growth is 0.6% with the largest contribution to this being the services sector, production and construction output also grew during this period. GDP is projected by the Office for Budget Responsibility (3 March 2026) to be 1.1% in 2026 before picking up to 1.6% in 2027 and 2028. However, there is a downside risk to this forecast given events in the Middle East that are still on-going.
11. UK borrowing became increasingly expensive in 2025/26. Gilt yields rose significantly in March 2026 at the start of the Middle East conflict and have remained elevated since. The combination of some energy price support, pressures from higher inflation amid the ongoing energy price shock, higher interest rates and a weaker economy have also indicated to the market that further borrowing by the UK government will be required, keeping borrowing costs high.
12. Labour market conditions continued to slow throughout 2025/26, and the loosening labour market has continued into the new year, with increased unemployment and decreasing payroll costs. These factors are considered by the Monetary Policy Committee (MPC) in making their bank rate level decisions and they are waiting to see if there is any impact on payroll costs as a result of the recent conflict.
13. The FTSE 100, the stock market based in London, was 8,582 at the start of April 2025 and increased through the year, reaching an all-time high of around 10,900 in late February 2026 before losing some of these gains, following the start of the Middle East conflict. At the time of writing the FTSE is currently around 10,400, which is still historically high.
14. The economic context in which the Commissioner operates remains volatile and uncertain and the measured approach the Commissioner takes with its treasury activity in the financial markets reflects this.

Long-Term Borrowing 2025/26

15. The Treasury Management Strategy Report for 2025/26, approved on 3 February 2025, outlined the long-term borrowing strategy for the year, which was: -

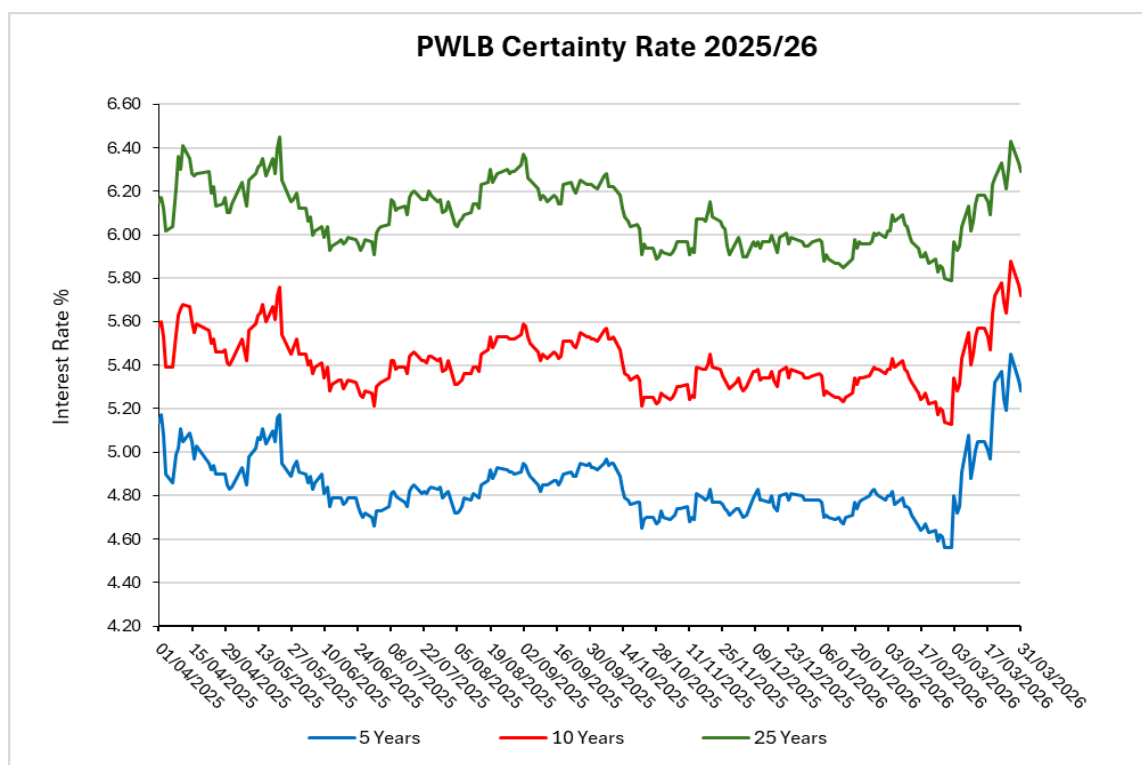
A borrowing strategy which, “aims to balance the liquidity needs of day-to-day cash management with the low-risk approach that is offered by using cash”.

16. The following table shows that the Commissioner created debt of £23.868m in 2025/26 to fund capital expenditure incurred.

	£m
Total debt brought forward	78.440
New debt	23.868
Minimum Revenue Provision (MRP)	(3.838)
Financing from Grants/Reserves	(5.017)
Total debt carried forward	93.453
Long term Loans brought forward	(61.500)
Long term Loan repayments at maturity	1.850
New Long-term Loans	0.000
Internal funding from cash	33.803

17. As shown in the table above no additional long-term loans were taken out during the financial year 2025/26 and a total of £1.850m was repaid. Expenditure on debt was principally funded through the utilisation of cash balances.
18. The strategy of using cash relies upon two main factors:
- Interest rates**, and in particular the difference between short-term investment rates and longer-term rates.
 - Having **cash available** to fund the strategy from reserves and working capital.
19. Whilst the economic future is not clear, a strategy of using cash remains supported by the current economic situation and the forecast for relatively low interest rates in the future compared to historical comparisons.
20. Longer term interest rates are more relevant when the Commissioner wants to take up a new loan; these are mainly sourced from the Public Works Loan Board (PWLb) whose loan interest rates vary daily reflecting changes in Gilt yields in the UK Government bond market.

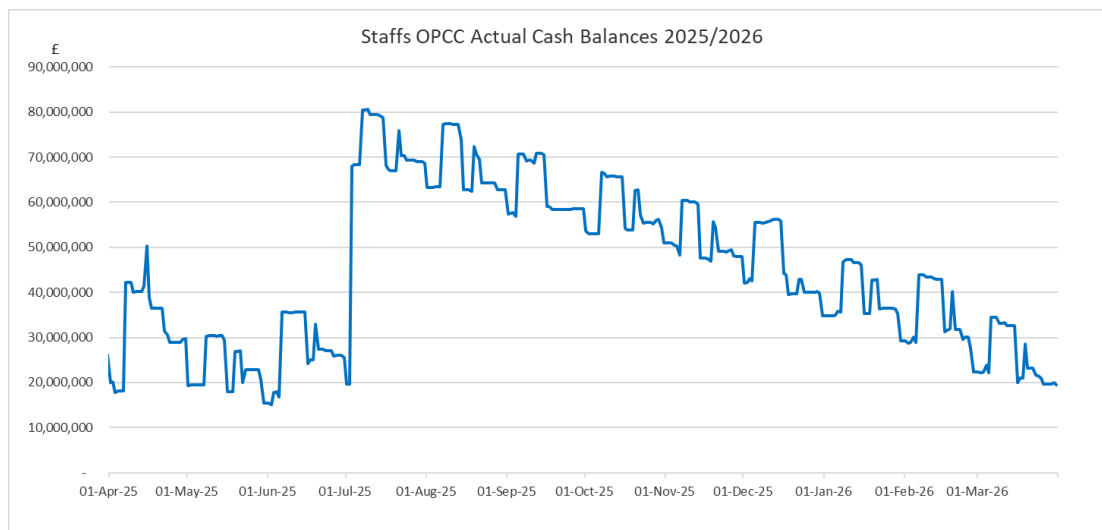
21. The following chart shows PWLB interest rates (at certainty rate) for three indicative loans throughout 2025/26:



22. The chart shows rates fluctuating at the start of 2025/26, then falling away around June 2025, fluctuating again then falling away during February 2026, before rapidly rising throughout March 2026, due to the start of the Middle East conflict, from where they have remained high.
23. It is important to understand the current relationship between short-term investment rates and longer-term rates. If borrowing in the form of a loan is taken, the proceeds could only be invested at rates lower than the cost of the borrowing. At present this difference would be around 1.0% to 2.5% depending on the length of the loan, so avoiding raising new loans can result in the commissioner avoiding further interest payment (see **paragraph 28**).

Availability of Cash

24. An equally important consideration to support the policy of using cash in lieu of borrowing, is whether cash is available. The following graph shows the investment balances for 2025/26, which were sufficient to fund the use of cash of £33.803m (see **paragraph 16**).



25. As in previous years, cash balances were lower in the early part of the year and increased as the large pensions grant was received in July 2025, before gradually lowering overall throughout the remainder of the year.
26. No temporary loan transactions were taken out in 2025/26 as cash balances were sufficient throughout the year.
27. The following table shows the average interest rates paid on the external loan portfolio over the last two years, with an adjustment reflecting the use of cash in lieu of borrowing:

	2024/25 %	2025/26 %
Weighted average rate of interest for external loans	3.40	3.41
Adjusted for the use of cash	3.65	3.54

28. The average rate of interest on loans in 2025/26 was marginally higher than in the previous year due to loans being repaid, totalling £1.850m. These loans were at a fractionally lower rate, therefore, increasing the average rate for the remaining loans. After adjusting for the use of cash the overall rate of interest increased, reflecting higher returns on investments during 2025/26; utilising cash reserves meant the Commissioner was able to use cash to fund debt. In 2025/26, internally funding from cash instead of borrowing is estimated to have avoided around £400,000 in additional interest payments.
29. The way that total debt is funded to 31 March 2026 is summarised in the table below. It can be seen that the internal funding from cash has risen proportionately due to the capital programme not requiring additional external funding at present due to high cash balances.

	31 March 2025		31 March 2026	
	£m	% of Total	£m	% of Total
PWLB fixed maturity loans	61.500	78.4	59.650	63.8
Internal funding from cash	16.940	21.6	33.803	36.2
Total debt position	78.440	100.0	93.453	100.0

30. Internal funding from cash allows the capital programme to be funded at low cost but this must be balanced against the possibility that long-term borrowing costs may increase in future years, as they have done recently.
31. Holding a high proportion of fixed-term loans with the PWLB ensures future budget certainty as the uncertainty often created by variations in short-term interest rates is avoided. The other side of this is the risk of future falls in long-term interest rates; if these occur, they may make the fixed debt relatively expensive. Gilt rates have remained stubbornly high making current rates for new borrowing expensive.
32. A graph illustrating the maturity profile of total debt is provided at **Appendix 1**. The PWLB loan maturity profile demonstrates two main features; a smooth maturity profile over the next seventeen years and a significant long-term element of financing thereafter.

Loan Restructuring 2025/26

33. A combination of factors has meant that PWLB loan restructuring was not undertaken in 2025/26;
- Gilt yields were falling for most of 2025/26, until the sharp increase towards the end of 2025/26;
 - The Commissioner has a steady flow of PWLB maturing debt and large existing internal funding position; and
 - Government policy is to apply a margin to the early repayment of a PWLB loan, which further increases the penalty payable.
34. Although the Commissioners loan portfolio is financed at a relatively lower rate, where some loans may attract a discount to repay, no debt was prematurely repaid. This was due to the fact that the Commissioner has a large forecast capital programme requiring funding, and to repay or refinance debt at the current time would mean significantly higher future annual interest payments.

Annual Provision for Principal Repayments - Minimum Revenue Provision (MRP))

35. Under the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2008, local authorities are given some flexibility in making an annual revenue provision for the repayment of debt.
36. For 2025/26 MRP of £3.838m was applied to repay debt.

Annual Investment Strategy 2025/26

37. Surplus cash is monitored daily and is invested in the money markets to earn interest. These investment transactions are made with the predominant aim of ensuring the security of the investments. All investments must comply with the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 which ensure that local authorities cannot 'speculate' with public funds. For example, they cannot invest in the stock market.
38. The Annual Investment Strategy (AIS) for 2025/26 (approved on 3 February 2025) was to follow a very low-risk investment approach; this meant that investments were restricted to the following institutions:
- a. The UK Government directly (via the Debt Management Account Deposit Facility – DMADF).
 - b. UK local authorities (via the local authority lending market).
 - c. Diversified sterling Money Market Funds (MMF's) with same day access.
 - d. Enhanced MMF with a 3-day liquidity notice period
 - e. Lloyds Bank (as banking provider).
39. Following the introduction of the second Markets in Financial Instruments Directive (MiFID II) regulations from January 2018, local authorities will automatically be treated as retail clients by financial services firms, unless they 'opt up' to be professional clients. As a retail client, local authorities would receive enhanced protections, but this would also mean they may face restricted access to certain products including pooled funds, treasury bills and treasury advice. During 2021/22, the commissioner met the criteria to opt up to be a professional client and has done so to expand the availability of financial instruments available to the Authority. As a result, the commissioner has been able to invest in a Royal London Asset Management cash-plus 'enhanced' MMF account, which is a pooled fund offering better returns whilst maintaining security.
40. Throughout the year the Treasury team at Staffordshire County Council reviewed the markets and provided regular reports to the Commissioner.
41. The Treasury team monitored the geopolitical developments, such as global inflation, armed conflicts and their impact on the markets and the turmoil in the economic markets. The continued use of MMF's and secure government deposits ensured the safety of funds.
42. The Treasury team at Staffordshire County Council also reported on the following during 2025/26:
- a. the treasury reports required for 2025/26 from the CIPFA Codes of Practice on Treasury Management and the Prudential Code, and guidance on Local Government Investments and MRP from the Ministry of Housing, Communities and Local Government (MHCLG).
 - b. continued discussions regarding banking arrangements for the Commissioner.
 - c. considered and discussed the Commissioner's investment and borrowing strategies throughout the year.
43. The following table summarises investment transactions during the year.

	2024/25	2025/26
Investment transactions in year (£m)	712.500	691.785
Interest receipts (£m)	2.341	1.722
Average return on investments (%)	5.06	3.83
SONIA* rate (%)	4.54	3.77

* 1 year Sterling Overnight Index Average

44. The table above shows that the level of total interest receipts in 2025/26 was lower than in the previous year. This reflects the impact of the lower interest rate environment that has continued throughout the financial year and reduced investment balances. The Commissioner's return is above the SONIA benchmark, as this rate falls immediately in line with market interest rates, whereas the Commissioner's investments are slower to react. The opposite would be true in a rising interest rate environment.
45. Approved investments at 31 March 2026 totalled £19.413m (£26.251m at 31 March 2025). The cash balances have reduced this year due to the Commissioner's funding of the capital expenditure programme. The approved investments can be analysed as follows:

Counterparty	£m	Term
Aberdeen MMF	6.400	Instant Access
CCLA Public Sector Deposit MMF	2.075	Instant Access
Morgan Stanley MMF	0.710	Instant Access
State Street MMF	5.050	Instant Access
Royal London Cash Plus Fund	5.000	3-day notice
Lloyds bank	0.178	Instant Access
Total	19.413	

Compliance with Other Matters

46. It can be certified that during 2025/26:
- All transactions were undertaken by authorised officers and within the limits approved.
 - All investments were to counterparties on the Approved Lending List current at the time and fully met the requirements of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.
 - Treasury limits and Prudential Indicators were complied with as set out in the Treasury Management Practices as shown in **Appendix 2**.

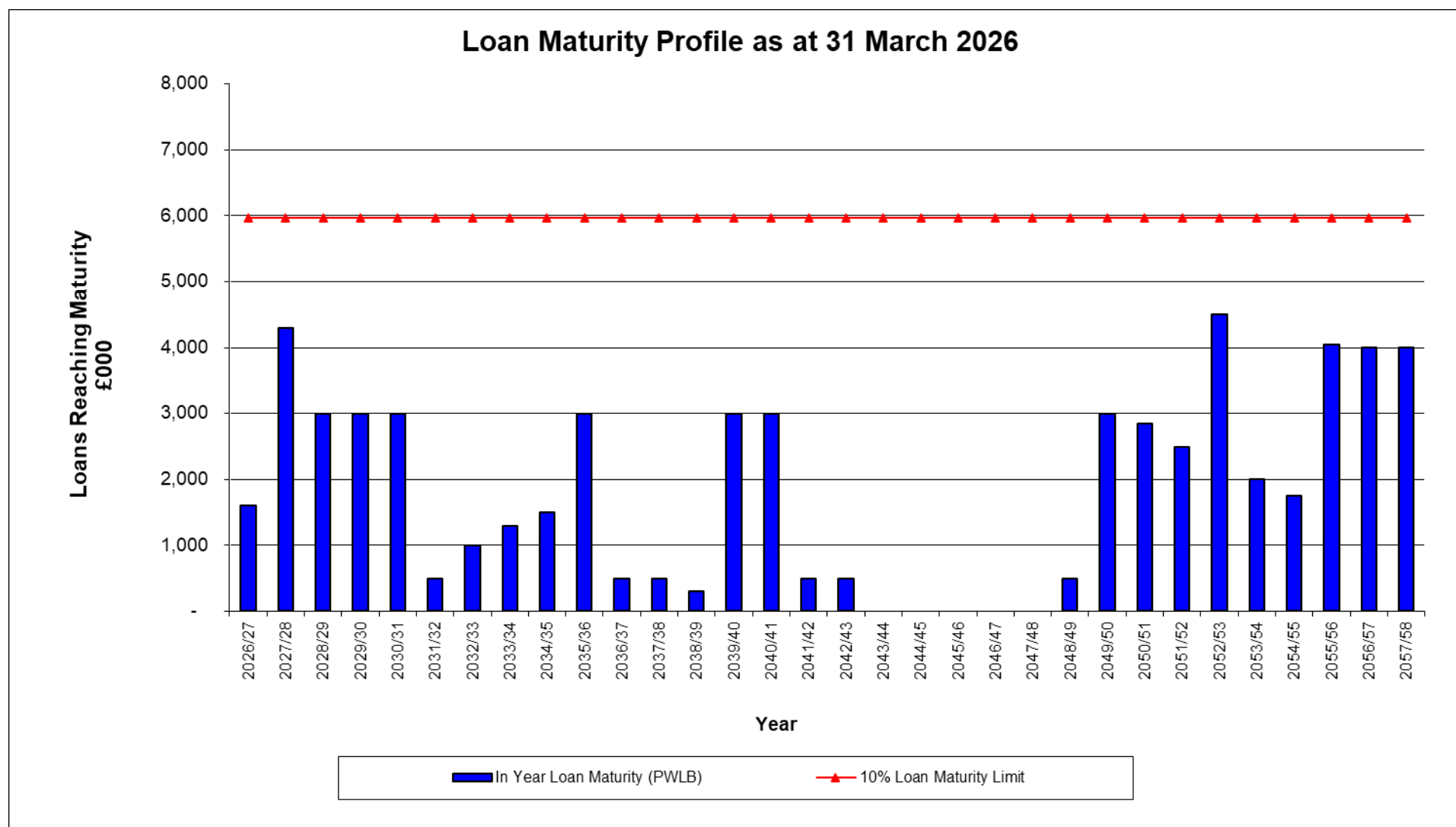
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Background Documents

- a. Treasury Management in the Public Services: Code of Practice (CIPFA) (2021)
- b. Prudential Code for Capital Finance in Local Authorities (CIPFA) (2021)
- c. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
- d. Statutory Guidance on Local Government Investments – Issued under Section 15(1) (a) of the Local Government Act 2003 (2018)
- e. Statutory Guidance on Minimum Revenue Provision – Issued under section 21 (1A) of the Local Government Act 2003 (2018)



Appendix 2

Prudential Indicators for Treasury Management

Indicator	Estimate 2025/26 £ million	Position at 31/03/26 £ million
1. External debt		
Authorised Limit for borrowing	121.00	59.65
Authorised Limit for other liabilities	10.40	5.50
Total	131.40	65.15
Operational Boundary for borrowing	109.80	59.65
Operational Boundary for other liabilities	10.40	5.50
Total	120.20	65.15
External Loans	88.50	59.65
Long Term liabilities	10.40	5.50
Total	98.90	65.15
<i>The Authorised Limit is the maximum level of external borrowing which should not be exceeded. It is linked to the estimated level of borrowing assumed in the capital programme.</i> <i>The Operational Boundary represents an estimate of the day-to-day limit for treasury management borrowing activity based on the most likely i.e. prudent but not worst-case scenario.</i> <i>'Other liabilities' relate to Finance Leases which are recorded in the Commissioner's accounts.</i>		
2. Interest rate exposures		
a. Upper Limit (Fixed)	106.00	59.65
b. Upper Limit (Variable)	(90.00)	(19.41)
<i>The Commissioner has set upper limits of fixed and variable borrowing and investments. This limits the Commissioner's exposure to both fixed and variable interest rate movements as part of the overall risk management strategy for treasury management activities. Negative figures are shown in brackets; these relate to investments at a variable rate which are not offset by variable borrowings.</i>		
3. Maturity structure of borrowing	Upper Limit	Lower Limit
Under 12 months	10%	0%
12 months and within 24 months	10%	0%
24 months and within 5 years	30%	0%
5 years and within 10 years	50%	0%
10 years and above	100%	25%
<i>This indicator identifies the amount of debt maturing in specified periods. The overarching principle is that steps should be taken from a risk management point of view to limit exposure to significant refinancing risk in any short period of time.</i> <i>The Commissioner currently applies the prudent practice of ensuring that no more than 10% of its total gross fixed rate debt matures in any one financial year.</i>		
4. Upper limit for total principal sums invested for longer than a year (from maturity)		
<i>Any investments made for over a year will be in accordance with the Commissioner's limits on non-specified investments.</i>	nil	nil